

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2100 - HB 2367

February 21, 2018

SUMMARY OF BILL: Establishes that the definition of “sale,” as it pertains to the *Business Tax Act*, excludes the transfer of services or tangible property from an advertising agency to an advertising agency client, when the client is acting as the agent on his or her own behalf in purchasing media time, space, placement, or goods, and when a contract exists between the advertising agency and such client for the advertising agency to act as a purchasing agency.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – \$76,300/FY19-20 and Subsequent Years

Decrease Local Revenue – \$97,100/FY19-20 and Subsequent Years

Assumptions:

- According to the Department of Revenue (DOR), the total business tax collected from advertising agency taxpayers was determined to be \$251,595 in 2016. This number is assumed to remain constant into perpetuity under current law.
- Based on data from filed business tax returns and other confidential taxpayer information, this legislation is estimated to result in a 68.92 percent decrease, or a decrease of \$173,399 in business tax collections from such taxpayers (\$251,595 x 68.92%).
- Fiscal Review Committee (FRC) staff does not have access to the confidential taxpayer information from which this fiscal estimate is derived. As a result, the above information cannot be independently verified by FRC staff.
- Based on FY16-17 collections, 43.98 percent of business tax collections are allocated to the General Fund and 56.02 percent is allocated to local governments.
- This legislation will apply to tax periods that begin on or after July 1, 2018.
- The earliest that business tax returns would be due is October 15, 2019; therefore, FY19-20 is the first year impacted by this legislation.
- A recurring decrease in state revenue of \$76,261 (\$173,399 x 43.98%) in FY19-20 and subsequent years.
- A recurring decrease in local revenue of \$97,138 (\$173,399 x 56.02%) in FY19-20 and subsequent years.

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb